

**STATE OF NORTH DAKOTA  
BISMARCK, NORTH DAKOTA**

**REPORT OF EXAMINATION**

**OF**

**ASPEN SPECIALTY INSURANCE COMPANY  
BOSTON, MASSACHUSETTS**

**AS OF  
DECEMBER 31, 2003**

STATE OF NORTH DAKOTA  
DEPARTMENT OF INSURANCE

I, the undersigned, Commissioner of Insurance of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Examination of the

**Aspen Specialty Insurance Company**

**Boston, Massachusetts**

as of December 31, 2003, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.

IN WITNESS WHEREOF, I have hereunto  
set my hand and affixed my official seal at my  
office in the City of Bismarck, this \_\_\_\_\_ day of  
\_\_\_\_\_, 2005.

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Jim Poolman  
Commissioner of Insurance

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Boston, Massachusetts  
December 14, 2004

Honorable Kevin McCarty  
Chair, Financial Condition Committee  
Subcommittee, NAIC  
Commissioner of Insurance Regulation  
Florida Department of Financial Services  
200 East Gaines Street, Room 101  
Tallahassee, Florida 32399-0301

Honorable Jorge Gomez  
Secretary, Midwestern Zone  
Commissioner of Insurance  
Wisconsin Department of Insurance  
125 South Webster Street  
Madison, Wisconsin 53707-7873

Honorable Jim Poolman  
Commissioner of Insurance  
North Dakota Department of Insurance  
600 East Boulevard  
Bismarck, ND 58505-0320

Commissioners:

Pursuant to your instructions and statutory requirements, a financial examination has been made of the books, records and financial condition of

**Aspen Specialty Insurance Company  
Boston, Massachusetts**

Aspen Specialty Insurance Company, hereinafter referred to as the "Company", was last examined as of November 21, 1996, by the North Dakota Insurance Department. That examination represented the organizational examination of the Company.

**SCOPE OF EXAMINATION**

This examination was a financial condition examination conducted in accordance with N.D. Cent. Code § 26.1-03-19.3 and observed guidelines and procedures contained in the NAIC *Financial Condition Examiners Handbook*. The examination was conducted to determine the Company's financial condition, its compliance with statutes, and to review the corporate affairs and insurance operations. This statutory examination covers the period from November 21, 1996, to and including December 31, 2003, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this statutory examination.

Work papers provided by the Company's independent auditor, KPMG, LLP, were reviewed and where deemed appropriate certain procedures and conclusions documented in those work

papers have been relied upon and copied for inclusion into the working papers for this examination.

The prior examination report of the Company did not contain any recommendations.

This examination was conducted by Examiners from the North Dakota Insurance Department, representing the Midwestern Zone.

## **HISTORY**

### **General**

The Company was originally incorporated on September 24, 1996, by The Insurance Corporation of New York (INSCORP) under the name Dakota Specialty Insurance Company ("Dakota Specialty"). Dakota Specialty's ultimate parent holding company was acquired by Trenwick Group, Inc. on October 27, 1999. On September 5, 2003, the Company was acquired by Aspen U.S. Holdings, Inc. and re-named Aspen Specialty Insurance Company.

The Articles of Incorporation state that the Company was organized for the purpose of transacting the following lines of insurance: fire, miscellaneous property, water damage, collision, motor vehicle and aircraft, marine, marine protection and indemnity and such insurance as a domestic stock fire or marine insurance company is now permitted to transact or may hereafter be permitted to transact under the insurance laws of the State of North Dakota.

### **Capital Stock**

The Articles of Incorporation provide that the authorized capital of the Company is \$4,200,000 consisting of 10,000 shares of common stock with a par value of \$420 per share.

The following exhibit reflects the activity in the capital structure as reported in the Company's Annual Statements for the years indicated.

<b>Year</b>	<b>Shares Issued</b>	<b>Capital Stock</b>	<b>Gross Paid-In and Contributed Surplus</b>
1996	10,000	\$1,000,000	\$20,669,768
1997	10,000	4,200,000	20,331,813
1998	10,000	4,200,000	20,331,813
1999	10,000	4,200,000	20,331,813
2000	10,000	4,200,000	20,331,813
2001	10,000	4,200,000	20,331,813
2002	10,000	4,200,000	20,331,813
2003	10,000	4,200,000	114,231,813

### **Dividends to Stockholders**

Effective March 28, 2003, the Board of Directors declared a cash dividend in the amount of \$20,000,000, such dividend having been paid to The Insurance Corporation of New York, the

sole shareholder on March 31, 2003. The extraordinary dividend was approved by the North Dakota Insurance Department on March 12, 2003.

### **Board of Directors**

The Bylaws provide that the number of directors shall consist of 10 members, a majority of which is required to transact business at any meeting of the Board of Directors. A regular meeting of the Board of Directors shall be held immediately after and at the same place as the regular meeting of the shareholders.

Directors serving at December 31, 2003, were as follows:

<b><u>Name</u></b>	<b><u>Business Affiliations</u></b>
Ian G. Campbell	Finance Director Aspen Insurance UK Limited
Peter P. Coghlan	President and Chairman of the Board Aspen Specialty Ins. Co.
Julian M. Cusack	Chief Financial Officer Aspen Insurance Holdings Limited
Sarah A. Davies	Chief Operating Officer Aspen Insurance Holdings Limited
Gayle E. Haskell	Chief Financial Officer and Treasurer Aspen Specialty Ins. Co.
Christian J. Maciejewski	Secretary and Chief Underwriting Officer Aspen Specialty Ins. Co.
Charles C. O'Kane	Chief Executive Officer Aspen Insurance Holdings Limited
Kathryn R. Vacher	Property Reinsurance Underwriter Aspen Insurance UK Limited

At December 31, 2003, there were two vacancies on the Company's Board of Directors. The Examiners advised the Company to fill the vacant positions in order to be in compliance with its Bylaws.

### **Officers**

The Bylaws provide that the elected officers of the Company shall be a Chief Executive Officer, President, Vice President, Secretary and Treasurer, all of whom shall hold their office for one year. Any two or more offices may be held by the same person.

The officers duly elected by the Board of Directors and holding office at December 31, 2003, were as follows:

<b><u>Officer</u></b>	<b><u>Title</u></b>
Peter P. Coghlan*	President & Chairman of the Board
Christian J. Maciejewski	Secretary
Gayle E. Haskell	Treasurer

\*Peter P. Coghlan resigned from all positions with the Company in December 2004 and Mr. Christian Maciejewski has been appointed as President of the Company.

### **Committees**

The Bylaws provide the Board of Directors may designate two or more persons to constitute an Executive Committee. The Bylaws also provide that the Board of Directors may designate other persons to constitute other committees as determined by the Board of Directors. There were no committees in existence at December 31, 2003.

### **Conflict of Interest**

All directors, officers and employees of Aspen Insurance Holdings Limited and its subsidiaries are subject to a formal written conflict of interest policy. No conflicts were disclosed.

### **Articles of Incorporation and Bylaws**

The Bylaws and Articles of Incorporation and amendments thereto were read by the Examiner. Amendments adopted during the period under examination include:

- Article III of the Articles was amended to change the amount of authorized capital stock from \$1,000,000 to \$4,200,000. The amendment was adopted by written resolution of the sole shareholder on September 18, 1997.
- Article I of the Articles was amended to change the name of the Company to Aspen Specialty Insurance Company. The amendment was adopted by the shareholders on September 23, 2003.
- Amended and Restated Bylaws for the newly structured company were adopted by the Board of Directors on September 23, 2003. Subsequently, the number of Directors was also expanded from 3 to 10 by written consent of the Board of Directors dated November 10, 2003.

### **Board of Directors Minutes**

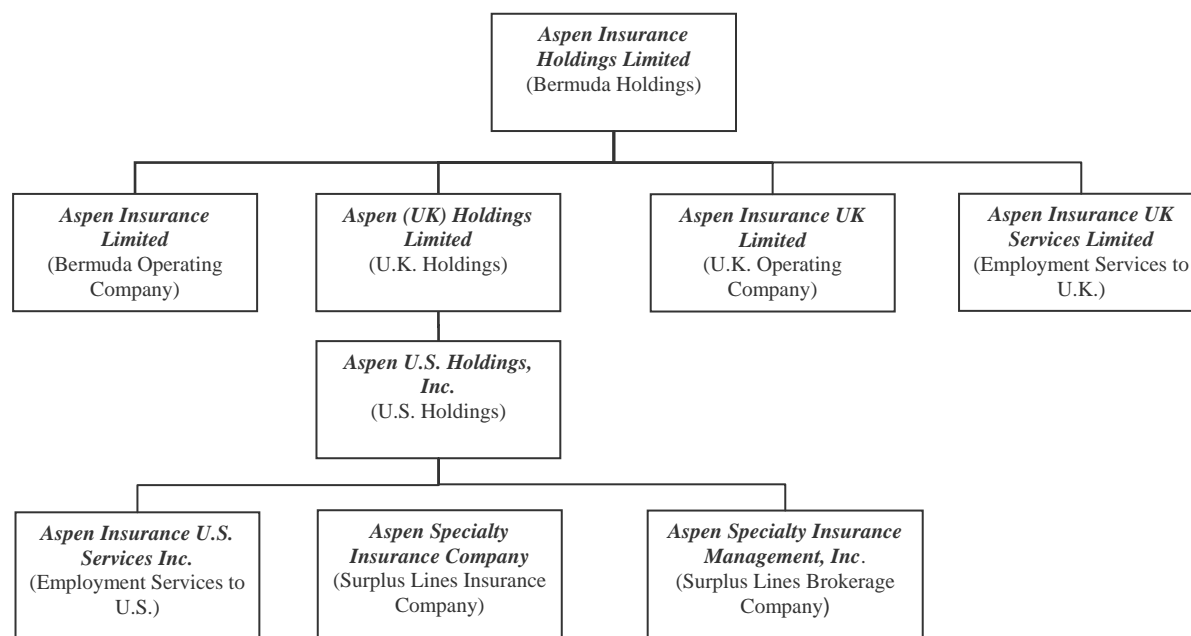
The minutes of the Board of Directors meetings were read and reviewed for compliance with the Bylaws, Articles of Incorporation and statutory requirements. No significant differences were noted.





## AFFILIATED COMPANIES

The Company is a member of the Aspen Group. The following chart depicts the members of the group at December 31, 2003.



**Aspen Insurance Holdings Limited (AIH)** is the ultimate controlling entity in the holding company system. It was incorporated in Bermuda under the name of Exali Reinsurance Holdings on May 23, 2002. Exali subsequently changed its name to Aspen Insurance Holdings Limited on November 20, 2002. The names and ownership interests of owners of five percent or more of AIH ordinary shares as of March 1, 2004, are as follows:

Shareholders	Number of Ordinary Shares	Percent of Outstanding Ordinary Shares
The Blackstone Group	18,000,000	26.02%
Wellington Underwriting plc	15,043,580	20.62%
Credit Suisse First Boston Private Equity	7,000,000	10.12%
Candover Investments plc	6,980,700	10.09%
Montpelier Re Holdings Ltd.	4,000,000	5.78%
Harrington Trust Limited	3,511,969	4.9%
Shareholders with less than 5%	14,643,054	22.47%
<b>Total</b>	<b>69,179,303</b>	<b>100.0%</b>

**Aspen Insurance Limited** – A Bermuda domiciled insurance corporation created in 2002.

**Aspen (UK) Holdings Limited** – A UK holding company created in 2002 for UK and Bermuda affiliates as well as Aspen U.S. Holdings, Inc.

**Aspen Insurance UK Limited** – A London based insurance entity and the primary operating company in the Aspen Group of Companies. It was originally incorporated under the name The City Fire Insurance Company Limited in 1974 and was acquired by AHL on June 24, 2002, and renamed Wellington Reinsurance Limited. On March 4, 2003, the Company was renamed Aspen Insurance UK Limited.

**Aspen Insurance UK Services Limited** – Has provided employment services to Aspen Insurance UK Ltd. and Aspen Insurance Holdings Limited since 2002.

**Aspen U.S. Holdings, Inc.** - A Delaware domiciled holding company formed in 2003.

**Aspen Insurance U.S. Services, Inc.** – A service company created in 2003 and domiciled in Delaware. It provides employment and administrative services to all U.S. operations and entities within the Aspen Group.

**Aspen Specialty Insurance Management, Inc.** – A surplus lines producer and brokerage company created in 2003 and domiciled in Massachusetts. It was created to ensure that there was a business entity licensed as a producer within the Aspen Group for U.S. business.

## **INTERCOMPANY AGREEMENTS**

Aspen Insurance U.S. Services, Inc. (AIUSS) provides administrative and management services to the Company. The basis for the services provided by AIUSS and fees paid by the Company is an administrative service agreement which has not been finalized or signed as of the date of field work.

The administrative service agreement provides that AIUSS will provide staff, equipment, facilities, and other resources necessary to perform all functions for the operation of the Company, including accounting, actuarial, tax, employment and general administrative services, information technology, legal, compliance, internal audit, marketing and promotion, underwriting and reinsurance, and claims. AIUSS may sub-delegate its duties to third parties with the approval of the Company's Board of Directors. The Agreement may be terminated by either party with 30 days' written notice. Compensation is based upon:

- AIUSS's direct and indirect costs except such amount will not exceed \$20 million without the approval of Company's Board of Directors.
- AIUSS may request a reasonable profit up to a maximum of 10% of its direct and indirect costs which the Company may pay at its discretion and approval.
- Alternate fee arrangements may be made by mutual agreement for specific or limited services.

N.D. Cent. Code § 26.1-10-05(1) requires that transactions within a holding company system are subject to various standards including the following:

The books, accounts, and records of each party must clearly and accurately disclose the precise nature and details of the transactions, including that accounting information that is necessary to support the reasonableness of the charges or fees to the respective parties.

An unexecuted agreement does not reflect a clear and accurate record that discloses the precise nature and details of the services provided to the Company by its affiliate. The Company is, therefore, not in compliance with the Holding Company standards under N.D. Cent. Code § 26.1-10-05(1).

**It is recommended that the administrative service agreement with Aspen Insurance U.S. Services, Inc. be finalized and executed by the parties.**

## **FIDELITY BOND AND OTHER INSURANCE**

The Company is insured by a financial institution bond which provides \$1,000,000 of coverage for employee dishonesty. The amount of coverage meets the minimum amount recommended in the NAIC *Examiners Handbook*.

Other insurance coverage covering the Company appeared adequate.

## **PENSION AND INSURANCE PLANS**

The Company has no employees. Aspen Insurance U.S. Services, Inc. provides administrative and management services to the Company.

## **STATUTORY DEPOSITS**

The Company maintained the following deposits at December 31, 2003:

<b>Location</b>	<b>Type of Asset</b>	<b>Statement Value</b>	<b>Fair Value</b>
Arkansas	Bond	\$128,183	\$138,156
Louisiana	Bond	115,760	127,594
Massachusetts	Bond	935,814	1,008,680
New Mexico	Bond	115,760	127,594
North Dakota	Bond	2,894,004	3,189,850
Oklahoma	Bond	347,281	382,782
South Carolina	Bond	153,820	165,787

## **TERRITORY AND PLAN OF OPERATION**

### **Territory**

The Company is currently licensed and qualified to transact business in the State of North Dakota. The Certificate of Authority was reviewed and found to be in proper order and effect.

At December 31, 2003, the Company was operating on an excess and surplus lines basis in approximately 29 states and in the District of Columbia.

## **Plan of Operation**

Most of the business written by the Company during the period under examination originated in either 2001 or 2002. The business written by the Company during this period was program business written through seven managing general agents. Coverage varied significantly from one program to the next and included both claims-made and occurrence forms. Lines of business written included substandard commercial automobile, professional liability and general liability. Claims for these programs were handled either by the managing general agent or by independent third party administrators.

On October 30, 2002, Trenwick Group, Ltd., the Company's ultimate parent at that time, announced that it had ceased underwriting all new business in its specialty program insurance business. This decision impacted new business written by the Company and substantially no new business was written by the Company from that date until it was acquired by the Aspen Group.

After acquisition of the Company by the Aspen Group, a limited number of policies were written in the fourth quarter 2003.

The Company's current plans are to obtain business through licensed surplus lines wholesale brokers and will be underwritten in the Company's home office. The Company plans to offer both property and casualty excess and surplus lines insurance. The property account will consist predominantly of mercantile, manufacturing and commercial real estate business. The casualty account will focus primarily on general liability coverage, concentrating on premises-type exposures, service contractors, hazard products and some errors and omission business.

## **REINSURANCE**

### **Ceded**

The following is a summary of the significant ceding agreements covering the managing general agent programs written by Dakota Specialty Insurance Company during the period under examination:

Type:	Casualty Quota Share
Reinsurer:	XL Reinsurance America, Inc.
Scope:	Policies written through Milton O. Johnston and Company and classified by the Company as Commercial General Liability Insurance.
Coverage:	80% of the Company's liability
Effective Date:	April 8, 2002
Type:	Casualty Quota Share

Reinsurers:	XL Reinsurance America, Inc.	34%
	Trenwick America Reinsurance Corp.	30%

Scope: Policies written through National Program Management, Inc. consisting of commercial general liability, contractors pollution liability and professional liability issued on a "claims made" form and commercial general liability and contractors pollution liability issued on an "occurrence" form.

Coverage: 64% of the Company's liability

Effective Date: January 15, 2002

Type: Financial Services Professional Liability Quota Share

Reinsurers:	Employers Reinsurance Corp.	35%
	Trenwick America Reinsurance Corp.	5%
	XL Reinsurance America, Inc.	30% *
	Hannover Ruchversicherungs AG	10%

\* XL Reinsurance America, Inc.'s participation in the treaty was terminated on January 31, 2003. It covers losses to that date.

Scope: Policies issued by ProSurance Group consisting of Financial Services Professional Liability for Security Broker-Dealers, Financial Planners, Investment Advisors or Life Insurance Agents business.

Coverage: 80% of the Company's net liability

Effective Date: May 31, 2002

Type: Quota share

Reinsurers:	Trenwick America Reinsurance Corp.	40%
	Insurance Corporation of Hanover	30%
	Partner Reinsurance Co. of the U.S.	20%

Scope: Policies written through Pelican General Agency and classified by the Company as Commercial Automobile Liability including General Liability, Assigned Risks and Commercial Automobile Physical Damage.

Coverage: 90% of the Company's liability

Effective Date: December 1, 2000

Type: Quota share

Reinsurers:	Trenwick America Reinsurance Corp.	45%
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Insurance Corporation of Hanover 35%

Scope: Policies written through Pelican General Insurance Agency and classified by the Company as Commercial Automobile Liability, including General Liability, Assigned Risks and Commercial Automobile Physical Damage.

Coverage: 80% of the Company's liability

Effective Date: March 1, 2002

Effective September 4, 2003, the Company executed commutation agreements with Trenwick America Reinsurance Corporation (Trenwick) and The Insurance Corporation of New York (Inscorp) for the purpose of commuting all liabilities and obligations the Company and the reinsurers have to each other under reinsurance agreements. The commutation payment received by the Company in 2003 from Trenwick was \$3,584,510 and the amount received from Inscorp. was \$3,571,268. The settlements were based on reserves established at September 5, 2003.

Trenwick's and Inscorp's liabilities for potential development beyond the September 5 reserves were left in place through stop loss reinsurance agreements attaching at the recorded reserves. The following is a summary of the two stop loss reinsurance agreements with Trenwick and Inscorp.

Type: Excess

Reinsurer: Trenwick America Reinsurance Corp.

Scope: Business written through National Program Management, Inc., Pelican General Agency 2001 and 2002 and the ProSurance Group.

Coverage: 100% of the amount by which the aggregate Gross Net Loss exceeds \$3,180,427 on claims arising under policies issued through the above programs.

Effective Date: September 4, 2003

Type: Excess

Reinsurer: The Insurance Corporation of New York

Coverage: 10% of the amount by which the Gross Net Loss exceeds \$110,470 on all claims arising under the Florida Intercoastal Underwriters Ltd. program.

90% of the amount by which the Ultimate Net Loss exceeds \$3,630,454 on all claims arising under all contracts issued prior to the sale of the Company by the reinsurer to Aspen U.S. Holdings, Inc.

Any amounts the Company is unable to recover from Insurance Corporation of Hannover with regard to reinsurance obligations of

Hannover provided that the Reinsurer shall not be obligated to make aggregate net payments for Hannover obligations in excess of \$300,000.

Effective Date: September 4, 2003

To secure payments due from Inscorp and Trenwick under the stop loss reinsurance agreements, the Company executed two reinsurance trust agreements which require the reinsurers to deposit assets in trust accounts upon which only the Company can draw. The agreement with Inscorp requires the market value of the assets in the trust account to be an amount equal to 105% of outstanding obligations plus the lesser of (i) the aggregate amount potentially recoverable by the Company from Insurance Corporation of Hanover and (ii) \$300,000. The agreement with Trenwick requires the market value of the assets in the trust account to be an amount equal to 105% of its outstanding obligations. Funding requirements for the trust accounts are adjusted on a quarterly basis. At December 31, 2003, the assets in the trust accounts were approximately \$400,000 less than the amount of collateral stipulated in the trust agreements.

The reinsurance agreements contain the insolvency clause required by N.D. Cent. Code § 26.1-02-21 and all of the required clauses set forth in the NAIC's *Accounting Practices and Procedures Manual*.

The Company did not enter into any ceded reinsurance agreements in 2003 after it was acquired by the Aspen Group covering the business issued in the fourth quarter of 2003.

## **ACCOUNTS AND RECORDS**

The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the course of the examination and a trial balance as of December 31, 2003, was extracted from the general ledger and traced to the appropriate schedules of the Company's 2003 Annual Statement. The Company's ledgers are maintained electronically. Revenues and expenses were test checked to the extent deemed necessary.

The Company is audited annually by an outside firm of independent certified public accountants. The work papers of this firm were made available to the Examiners and were used to an extent deemed appropriate for this examination.

## **FINANCIAL STATEMENTS**

The financial statements of the Company are presented on the following pages in the sequence listed below:

Statement of Assets, Liabilities, Surplus and Other Funds, December 31, 2003  
Underwriting and Investment Exhibit, Year 2003  
Reconciliation of Capital and Surplus, November 21, 1996 through December 31, 2003

**Aspen Specialty Insurance Company**  
**Statement of Assets, Liabilities, Surplus, and Other Funds**  
**as of December 31, 2003**

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 33,222,915		\$ 33,222,915
Cash	(236,335)		(236,335)
Cash Equivalents	54,969,794		54,969,794
Short-Term Investments	19,454,063		19,454,063
Investment Income Due and Accrued	235,988		235,988
Premiums and Considerations: Uncollected Premiums and Agents' Balances in Course of Collection	989,539	\$814,325	175,214
Amounts Recoverable from Reinsurers	1,314,451		1,314,451
Net Deferred Tax Asset	3,054,951	3,054,951	
Prepaid Expenses	300,000	300,000	
Totals	<u>\$113,305,366</u>	<u>\$4,169,276</u>	<u>\$109,136,090</u>



**Aspen Specialty Insurance Company**  
**Statement of Assets, Liabilities, Surplus, and Other Funds**  
**as of December 31, 2003**

Losses		\$ 5,847,530
Loss Adjustment Expenses		1,044,354
Commissions Payable, Contingent Commissions and Other Similar Charges		151,000
Other Expenses		3,100
Unearned Premiums		436,903
Ceded Reinsurance Premiums Payable		(323,814)
Provision for Reinsurance		301,000
Payable to Parent, Subsidiaries and Affiliates		<u>279,031</u>
Total Liabilities		\$7,739,104
Common Capital Stock	\$ 4,200,000	
Gross Paid In and Contributed Surplus	114,231,813	
Unassigned Funds (Surplus)	<u>(17,034,827)</u>	
Surplus as Regards Policyholders		<u>101,396,986</u>
Total		<u>\$109,136,090</u>

**Aspen Specialty Insurance Company  
Underwriting and Investment Exhibit  
for the Year Ended December 31, 2003**

**UNDERWRITING INCOME**

Premiums Earned		\$1,308,838
Deductions:		
Losses Incurred	\$1,352,576	
Loss Expenses Incurred	1,654,827	
Other Underwriting Expenses Incurred	<u>1,430,706</u>	
Total Underwriting Deductions		<u>4,438,109</u>
Net Underwriting Gain or (Loss)		\$ (3,129,271)

**INVESTMENT INCOME**

Net Investment Income Earned	\$ 613,948	
Net Realized Capital Gains or Losses	<u>80,849</u>	
Net Investment Gain or (Loss)		<u>694,797</u>
Net Income Before Federal Income Taxes		\$ (2,434,474)
Federal Income Taxes Incurred		<u>293,952</u>
Net Income		<u>\$ (2,728,426)</u>

**Aspen Specialty Insurance Company**  
**Reconciliation of Capital and Surplus Accounts**  
**November 21, 1996, Through December 31, 2003**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Capital and Surplus, December 31, Previous Year	\$30,909,762	\$30,174,047	\$28,956,874	\$28,070,721	\$26,558,510	\$25,526,660	\$21,815,947	\$-0-
Net Income	\$(2,728,426)	\$1,346,325	\$1,337,566	\$921,458	\$1,099,384	\$1,031,850	\$848,669	\$146,179
Change in Net Deferred Income Tax	3,084,973	90,343	(35,521)					
Change in Nonadmitted Assets	(4,169,276)							
Change in Provision for Reinsurance	399,953	(700,953)						
Paid In Capital								1,000,000
Capital Transferred from Surplus (Stock Dividend)							3,200,000	
Paid In Surplus	93,900,000						2,862,044	20,669,768
Surplus Transferred to Capital (Stock Dividend)							(3,200,000)	
Dividends to Stockholders	(20,000,000)							
Cumulative Effect of Changes in Accounting Principles			(84,872)					
Prior Period Taxes				(35,305)	412,827			
Net Change in Capital and Surplus for the Year	\$70,487,224	\$735,715	\$1,217,173	\$886,153	\$1,512,211	\$1,031,850	\$3,710,713	\$21,815,947
Capital and Surplus, December 31, Current Year	\$101,396,986	\$30,909,762	\$30,174,047	\$28,956,874	\$28,070,721	\$26,558,510	\$25,526,660	\$21,815,947

## COMMENTS ON FINANCIAL STATEMENTS

### Net Deferred Tax Asset

The Company overstated net deferred tax assets and nonadmitted net deferred tax assets by \$1,586,361. The overstatement consisted of the following two items:

Goodwill	\$ 1,278,478
Net operating loss carryforward correction	<u>307,883</u>
Total	<u>\$1,586,361</u>

The overstatement did not impact surplus.

## CONCLUSION

The financial condition of the Company, as of December 31, 2003, as determined by this examination is summarized as follows:

Admitted Assets		<u>\$109,136,090</u>
Total Liabilities	\$ 7,739,104	
Surplus as Regards Policyholders	<u>101,396,986</u>	
Liabilities, Surplus, and Other Funds		<u>\$109,136,090</u>

No change was made in the balance sheet amounts reported by the Company in its 2003 annual statement.

Since the last examination conducted as of November 21, 1996, the Company's admitted assets have increased \$87,768,539, its total liabilities have increased \$7,736,104, and its surplus as regards policyholders has increased \$80,032,435.

The courteous cooperation extended by the officers and employees of the Company during the course of the examination is gratefully acknowledged.

In addition to the undersigned, Carole Kessel, CPA and Chief Examiner, and Mike Andring, ACAS, of the North Dakota Insurance Department participated in this examination.

Respectfully submitted,

---

David Weiss, CFE  
Examiner  
North Dakota Insurance Department

## **COMMENTS AND RECOMMENDATIONS**

It is recommended that the administrative service agreement with Aspen Insurance U.S. Services, Inc. be finalized and executed by the parties.